

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of

Amendment of the Commission's)
Rule and Policies to Increase) CC Docket No. 95-115
Subscribership and Usage of the)
Public Switched Network)

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COMMENTS

BellSouth Telecommunications, Inc. ("BellSouth") hereby submits its Comments on the Commission's Notice of Proposed Rulemaking ("Notice") released July 20, 1995, in the above referenced docketed proceeding.¹ In the Notice, the Commission acknowledged that its universal service policies have been successful, however, it also stated that "additional measures may now be necessary to continue to carry out statutory mandates of making universal service available to all Americans."² The Notice seeks comments on various options and initiatives aimed at increasing subscribership levels by reducing disconnection from the public switched network.

¹ Amendment of the Commission's Rules and Policies to Increase Subscribership and Usage of the Public Switched Network, CC Docket No. 95-115, Notice of Proposed Rulemaking, released July 20, 1995.

² Id.

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BellSouth supports efforts to increase telephone subscribership and will work with the FCC and State Commissions on focused initiatives aimed at increasing penetration levels for those segments of society that significantly lag behind the national average. However, many of the Commission's proposed initiatives to increase subscribership levels are based on faulty presumptions. As a result, many of the initiatives and options the Commission has proposed will have little or no effect on subscribership levels but may lead to results that will, in fact, be detrimental to the Commission's goals in this proceeding "to develop methods to increase subscribership levels in a cost effective manner."³

The Notice focuses on increasing subscribership levels by exploring alternatives to help new and existing low income subscribers stay connected. The Notice presumes that prohibiting disconnection of local service for non-payment of toll charges will increase subscribership levels. The Commission seeks comments on rules prohibiting any common carrier from interrupting or disconnecting a telephone subscriber's primary local exchange service for non-payment of interstate charges. In the Notice the Commission points to preliminary data showing a higher percentage of disconnects among low-income subscribers who have an inability to control long-distance usage. However, the

³ Id. para. 5.

premise that subscribership levels can be increased by prohibiting disconnection of local service for non-payment has not been substantiated. Instead, the facts would support a contrary conclusion. For instance, in the BellSouth nine state region there are approximately 13.6 million residence accounts. Fifteen percent (15%) of those accounts receive collection action for non-payment of charges in any given month, but only 2% of all accounts or about 272,000 are denied each month for non-payment.⁴ More significantly, only 1/4 of accounts denied are disconnected due to non-payment.⁵ Given the limited number of accounts that are in fact disconnected, it is clear that the preclusion of disconnect will not have a significant impact on subscribership levels.

The data does support, however, the conclusion that this rule likely would have the unintended effect of increasing the percentage of uncollectables. BellSouth has provided information in a proceeding before the Florida Public Service Commission demonstrating the importance of disconnect authority. In the Florida proceeding, BellSouth stated that "industry representatives have given wide

⁴ "Denied" as used above means that local service was temporarily interrupted for non-payment. Service can be restored within a few hours.

⁵ "Disconnection" as used above means that local service was disconnected and the account was rendered a "Final Bill". A new connect service order is required to reinstate service.

ranging estimates of the impact in the percentage of uncollectables if there is no disconnect authority. The actual estimates given by Local Exchange Carriers (LEC) and Interexchange Carriers (IXC) representatives have ranged between two and six times the current debt percentage."⁶ There is virtually no disagreement that there would almost certainly be a significant increase in uncollectables as a direct result of the loss of disconnect authority.⁷ Disconnect for non-payment serves as an effective and necessary means by which carriers provide incentives to resolve unpaid bills.

As the Commission has noted, it is in the carriers' best interest to maintain high subscribership levels within its service area. In this regard, BellSouth works with its customers to recover late payments and makes every effort to resolve the situation before disconnecting service. For instance, when a BellSouth customer's account becomes past due, a notice is sent concerning the delinquency; the notice also grants an automatic extension of one (1) week. If the

⁶ Excerpt of BellSouth response filed with the Florida Public Service Commission, May 23, 1994, Undocketed, Re-examination of Rule No. 25-4.113, F.A.C. Excerpt has been attached as Exhibit 1.

⁷ In essence, loss of disconnect authority could have an unintended effect. Higher uncollectables of both toll and local service could force telecommunication providers to increase the price of telephone services to paying customers in order to recover the losses associated with increased uncollectables. Such price increases could cause other customers to disconnect their telephone service.

customer calls for an additional extension (beyond the expiration of the notice), his/her request will often be granted. The service is disconnected only when the customer does not pay, or does not make reasonable arrangements to pay, the total regulated charges.

Apart from the fact that BellSouth does not believe that there is any reason for the Commission to act here, the Commission would also lack the jurisdiction to prevent the discontinuance of local service for non-payment of interstate toll service. The analytical predicate in this proceeding is that the subscriber has not paid interstate charges. In these circumstances, the Commission acknowledges that a LEC could block interstate toll calls where the subscriber has not paid such charges if such capability existed. In other words, interstate service can be discontinued for non-payment. Thus, the only issue the Commission is considering here is whether local service can be disconnected. That matter, however, is purely intrastate and therefore within the exclusive jurisdiction of the state commissions. There is not even a colorable claim that interstate communications are adversely effected. The Commission's reach for jurisdiction on the basis that disconnection is "inseverable" is beside the point. If by disconnecting local service the LEC accomplishes what the Commission acknowledges would be appropriate through a blocking capability, then the only issue that is raised by

disconnecting local service is one that affects intrastate communications. Under Section 152(b) of the Communications Act, matters affecting intrastate communications are reserved to the states.⁸

Moreover, BellSouth already has in place a variety of services which consumers can use to manage their toll calls. Because the options pertain to intrastate local exchange service, it would be inappropriate for the Commission to mandate toll-blocking options.

BellSouth currently offers two types of toll-blocking options to its residence subscribers in each of its nine states; Selective Class of Call Screening (SRG) Service and Customized Code Restriction (CCR) Service.⁹ Both types of services are offered to subscribers for nominal monthly rates ranging between \$1.10 and \$2.80 depending on the state and type of service.¹⁰

The SRG Service allows residence subscribers to secure central office blocking of originating 1+, 101XXXX1 +, 10XXX1+ and 900 service calls.¹¹ Subscribers may make

⁸ 47 U.S.C. §152(b).

⁹ In Georgia, SRG Service is currently available as a special assembly. A general service tariff is being developed.

¹⁰ In some states a one time nonrecurring charge for CCR service may also apply. This charge however is also nominal and does not exceed \$10.00.

¹¹ Selective Class of Call Screening Service Tariffs (SRG): Alabama GSST, Sec. A13.12, p. 10; Florida GSST, Sec. A13.12, pp. 22.1, 23; Kentucky GSST, Sec. A13.12, pp. 8,

outgoing toll calls from the subscribing line, however, such calls must be alternatively billed (i.e. third number, collect, or calling card).

CCR Service is offered with options containing various sets of codes to be restricted, including toll.¹² All options restrict operator access.¹³ Subscribers may choose whichever option meets their needs.¹⁴

BellSouth recognizes the importance of educating its subscribers to toll-blocking or toll cost control measures. Given the local nature of these services, BellSouth will

8.1; Louisiana GSST, Sec. A13.12, pp. 10, 11; Mississippi GSST, Sec. A13.12, pp. 12, 13; North Carolina GSST, Sec. A13.12, p. 24.1; South Carolina GSST, Sec. A.12, p. 22; Tennessee GSST, Sec. A13.12, p. 9.

¹² Option 1 blocks 1+, 0-, 0+, 00-, (1+/0+)411, 976, NPA 900, IDDD 01+, IDDD011+, N11 Service. Option 2 blocks 0-, 0+, 00-, IDDD 01+, 976. Option 3 blocks 1+, 0-, 0+, 00-, IDDD 01+, IDDD 011+, NPA 900.

¹³ Call Screening and Restriction Services - Customized Code Restriction (CCR): Alabama GSST, Sec. A13.20, pp.18, 18.1; Florida GSST, Sec. A13.20, pp. 39.3, 40, 41, 41.1, 42, 42.0.1; Georgia GSST, Sec. A13.20, pp. 39.1, 40, 41, 42, 42.1, 43; Kentucky GSST, Sec. A13.20, pp. 15, 16; Louisiana GSST, Sec. A13.20, pp. 19.4.1, 19.5, 20; Mississippi GSST, Sec. A13.20, pp. 22.1, 22.2; North Carolina GSST, Sec. A13.20, pp. 36.5, 37, 38, 39; South Carolina GSST, Sec. A13.20, pp. 33.4.5, 33.5, 34, 35, 36; Tennessee GSST, Sec. A13.20, pp. 13.4, 14, 14.0.1, 14.1.

¹⁴ The capability to distinguish between intrastate toll and interstate toll is currently not available in the BellSouth region. Due to technical difficulties and costs associated with developing such a capability, this would not be an efficient way in which to increase subscribership levels. In any event, it would be inappropriate for the Commission to impose implementation of such a blocking mechanism on incumbent LEC providers only. Any Commission action should be competitively neutral and apply to all providers of local exchange service.

continue to work with State Commissions to ensure its subscribers are familiar with the full range of cost effective toll control options and methods by which those services may be made more affordable.

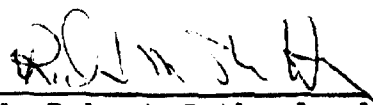
In addition, BellSouth will continue its dialog with the Commission concerning subscribership levels in conjunction with the Commission's review of universal service issues.

CONCLUSION

BellSouth shares the Commission's overall universal service goals. However, for the reasons stated above, BellSouth does not believe that the initiatives being explored by the Commission in this Notice will necessarily further those goals. Furthermore, the initiatives proposed in the Notice raise significant jurisdictional issues.

Respectfully submitted,

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Southern Bell Tel. & Tel. Co.
FPSC Staff's Data Request
Rule 25-4.113, Disconnect Authority
April 29, 1994
Item No. 1

REQUEST: Order No. 12765 granted disconnect authority of local service to any LEC which provides billing and collection services to an IXC. It was the Commission's belief that since IXCs cannot disconnect local service for nonpayment of toll charges, the IXC uncollectible rate will be higher than the LEC's rate. If the bad debt expenses of the IXCs were to become excessive, then the IXCs could increase their toll charges to recoup this expense. As a result, Florida subscribers would pay increased rates for IXC services. This order occurred at the time of divestiture of AT&T and the Bell Operating Companies. Given the Commission's rationale in the order, has disconnect authority fulfilled its purpose? Does disconnect authority serve a purpose today?

RESPONSE: Yes. Disconnect authority has fulfilled its purpose in the past and it continues to serve a purpose today.

In testimony before various State Commissions and the FCC since divestiture, industry representatives have given wide ranging estimates of the impact on the percentage of uncollectibles if there were no disconnect authority. While the actual estimates given by LEC and IXC representatives have ranged between two and six times the current bad debt percentage, all sources have agreed that there would almost certainly be a significant increase in uncollectibles.

Although it is certain that eliminating disconnect authority would significantly increase the bad debt percentage, there is no way to accurately calculate the effect of disconnect authority on the IXCs' uncollectible rates. As an illustration of the effect of the policy change, in Florida in 1993 the uncollectible rate was approximately 2.1%. This figure would yield an IXC loss due to bad debt of \$28 Million. A doubling of the uncollectible rate, which we consider a best case estimate, to twice the current rate would result in an additional loss of \$28 Million by IXCs, a change which could very likely produce an upward pressure on end user IXC toll rates and a downward pressure on the value and rates of SBT's Billing and Collection (B&C) services.

Southern Bell Tel. & Tel. Co.
FPSC Staff's Data Request
Rule 25-4.113, Disconnect Authority
April 29, 1994
Item No. 2

REQUEST: Identify the benefits and advantages of being able to disconnect local service for non-payment of IXC toll charges.

RESPONSE: The continuation of SBT's disconnect authority is in the best interests of the ratepayer, IXCs, and SBT. Some of the benefits and advantages are identified below.

(1) Disconnect authority causes lower uncollectibles for the IXCs, which helps to alleviate upward pressure on the IXCs' toll rates. This is an advantage to the ratepayers. The removal of disconnect authority would cause an increase in the costs of telephone services to customers generally because of those customers who do not pay. In addition, the higher expenses could force some marginally viable IXCs out of business.

(2) Disconnect authority increases the value of SBT's B&C service due to its downward effect on IXC uncollectibles. It also helps to keep treatment expenses lower because SBT's business offices can more easily collect payments when they have disconnect authority. Both of these factors help to maintain both a reasonable demand for B&C and a reasonable level of B&C rates. Any decrease in SBT's B&C revenues due to loss of disconnect authority could cause shifting of some interstate costs back to the intrastate jurisdiction and result in upward pressure on SBT rates to the end users. Additionally, IXC toll rates would be under even more upward pressure for those IXCs who might decide to incur the expense of developing their own billing systems if SBT were to lose disconnect authority.

(3) The ratepayers have more opportunities to receive a single combined telephone bill as long as the IXCs' demand for B&C remains reasonably stable. Many end users want to receive a single combined bill for telephone services (SBT's research shows over 80% of residence end users prefer one bill).